VERIZON NEW ENGLAND INC.
d/b/a VERIZON MASSACHUSETTS

COMMONWEALTH OF MASSACHUSETTS

D.T.E. 97-88 & 97-18

REQUEST: Department of Telecommunications and Energy – July 22, 2004 Compliance Filing

DATED: August 9, 2004

ITEM: CFR DTE-VZ-1 Verizon's July 22, 2004 Compliance Filing includes proposed tariff pages that reflect a $.34 increase in basic residential service rates to offset the revenue reductions associated with the re-pricing of payphone services. In the Department's June 23, 2004 Order in D.P.U./D.T.E 97-88/97-18 (Phase II) at 30, the Department determined that it was premature to decide the issue of cost recovery in advance of Verizon filing a petition for an exogenous cost adjustment under its Alternative Regulation Plan. If Verizon does not agree with the Department's finding, please explain why Verizon did not seek clarification of this point? Also, please explain why cost recovery through an exogenous cost adjustment petition is not appropriate in this case.

REPLY: As discussed in the comments Verizon MA is filing today in response to the Attorney General's comments in this matter, Verizon MA did not file an exogenous petition because it believed that the Department's *Phase I* and Phase II *Orders* in D.T.E. 01-31 determined that payphone rate changes were to be revenue-neutral – along with the rate changes for wholesale and other wholesale-like services – and that the result of this proceeding would only serve to quantify the magnitude of any resulting revenue effect.

However, even if the company's understanding is incorrect, the rate reductions in this case would clearly qualify as exogenous changes. The rate changes are the product of a regulatory determination that affects Verizon MA's revenues and the impact exceeds the $3 million threshold for exogenous treatment set forth in the Alternative Regulation Plan. Indeed, this is the quintessential case

REPLY: CFR DTE-VZ-1 [continued]

of an exogenous change under Paragraph N of the Alternative Regulation Plan. Thus, as a practical matter, the company's right to offset the payphone rate changes on a revenue-neutral basis is the same whether considered as an issue determined in D.T.E. 01-31 or as an exogenous change.

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ITEM: CFR DTE-VZ-2 With regard to Operator Call Completion ("OCC"), Verizon indicates that OCC is neither mandatory nor offered at an unbundled rate. Will Verizon provide screening to block OCC calls to a PAL subscriber's line?

REPLY: Verizon MA's proposed D.T.E. MA No. 18 Tariff will provide the same blocking of OCC calls to PALs that is currently available under the D.T.E. MA No. 10 Tariff. This will continue to be offered as an optional feature at the existing, unbundled rate.

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